

May 15, 2002

TIDEWATER TELECOM
Investigation of Rates for Local Exchange and
Intrastate Access Service

STIPULATION

Tidewater Telecom ("Tidewater" or "Telephone Company") and the Office of the Public Advocate (collectively "the Parties"), hereby agree and stipulate as follows:

I. PURPOSE

The purpose of this Stipulation is to settle all issues in Docket No. 2002-100, to avoid a hearing on those issues and to expedite the Commission's consideration and resolution of this proceeding. The provisions agreed to herein have been reached as a result of discussions and negotiations between the Parties.

II. BACKGROUND

On December 30, 1999, the Commission issued an Order in Public Utilities Commission, Re: Investigation into Rates of Tidewater Telecom Pursuant to 35-A M.R.S.A. §7101-B, Docket No. 98-907, approving a Stipulation which provided, *inter alia*, that Tidewater would reduce its intrastate access rates to the interstate NECA Tariff No. 5 level (as of August 1, 1999), effective May 30, 2001, and that no rate proceeding would be initiated for Tidewater before June 1, 2002 (unless one or more of certain specified events took place). On May 30, 2001, Tidewater reduced its intrastate access rates in accordance with the Stipulation. On February 26, 2002, the Commission issued an Order in Docket No. 98-907, approving an Amendment to Stipulation, which changed the date on or after which a rate proceeding could be initiated from June 1, 2002, to September 1, 2001. The Amendment to Stipulation also

provided that if Tidewater initiated a rate case on or before February 15, 2002, a good faith effort would be made to conclude the case by July 1, 2002.

On February 15, 2002, Tidewater submitted a filing which initiated a rate proceeding pursuant to 35-A M.R.S.A. §§1302(2) and 1303 for the review of the justness and reasonableness of its rates. The filing included information as prescribed by Sections 3 and 5(C) of Chapter 120 of the Commission's Rules ("Chapter 120 Filing"), and a description of Tidewater's proposed revised rates for basic local service and intrastate access service. Notice of the rate proceeding was given by publication in the local newspaper and by direct mail to customers. The notices identified April 1, 2002 as the deadline for the filing of petitions to intervene.

A timely petition to intervene was filed by the Office of the Public Advocate on February 26, 2002. The parties agree that the Public Advocate's petition to intervene in this proceeding should be granted and that the Commission's approval of this Stipulation shall constitute granting of the petition. On April 9, 2002, a petition to intervene was filed by Howard S. Brower. On April 18, 2002, the Company filed an objection to the latter petition. This Stipulation was agreed to prior to a ruling being made on the Petition to Intervene. The question of whether Mr. Brower was to be a party was not resolved. Therefore, Mr. Brower is not a party to this case. However, the terms of the Stipulation were explained to Mr. Brower by the Public Advocate, and he did not object to them.

Representatives of the Telephone Company, the Public Advocate and the Advisory Staff assigned to this case met on March 2, 2002 for the purpose of reviewing the Chapter 120 Filing, responding to questions regarding the filing and related matters and identifying other information requested of the Telephone Company. Continued discovery in the case included five written data requests from the Public Advocate, containing over 70 questions. In addition, representatives of the Telephone Company and Public Advocate engaged in two discovery conference calls. On April 12, 2002, the Telephone Company and the Public Advocate commenced the negotiations in this

proceeding (and in the concurrent rate proceeding for Lincolnville Telephone Company in Docket No. 2002-99), which resulted in this resolution of the issues and the agreements and compromises reflected in this Stipulation.

III. STIPULATION PROVISIONS

A. The parties to this Stipulation agree and recommend that the Commission approve this Stipulation and in doing so find and order as follows:

1. Required Revenue Increase. The Parties agree that the Commission shall find that Tidewater's existing rates are unjust and unreasonable and that rates that would produce an increase in annual intrastate revenues of \$713,227 by means of the rates and rate design agreed upon in this Stipulation are just and reasonable and should be substituted for the existing rates in accordance with the provisions of this Stipulation.

2. Rate Design. The rate design for implementing the \$713,227 revenue increase shall be as follows:

Step One: Effective June 1, 2002, (a) the basic monthly rate per access line shall be increased by \$2.00, and the current "State Support" monthly reduction for Lifeline customers of \$3.50 shall also be increased by \$2.00, which will produce a net increase in annual revenues of \$258,726, and (b) the Company's intrastate switched access rates shall be established at a level designed to produce an annual switched access revenue amount of \$1,459,818.

Step Two: Effective January 1, 2003, (a) the basic monthly rate per access line shall be increased by an additional \$1.50 and the then current "State Support" monthly reduction for Lifeline customers of \$5.50 shall also be increased by an additional \$1.50, which will produce a net increase in annual revenues of \$194,016, and (b) the Company's intrastate switched access rates shall be decreased to a level

designed to produce an annual switched access revenue decrease of \$194,016.

The Company shall prorate bills as necessary to reflect that these rate changes are effective on June 1, 2002, and January 1, 2003.

3. Increased Lifeline Reduction. The current "State Support" component of the Lifeline Support Amounts as set forth in Section 4(A) of Chapter 294 of the Commission's Rules (i.e. a current reduction in monthly intrastate charges of \$3.50) shall be increased in accordance with the previous paragraph, and the Commission's approval of this Stipulation shall constitute a waiver of Section 4(A)(3) pursuant to Section 9 of Chapter 294. If the amount of State Support prescribed in Section 4(A)(3) is subsequently increased by the Commission, the increases required by this Stipulation shall be reduced accordingly.

4. Rate Schedules: The rate schedules appended to this Stipulation, bearing the Proposed Effective Dates of June 1, 2002, and January 1, 2003, shall be approved for effect on the indicated Proposed Effective Dates. In addition to making the changes necessary to implement Paragraphs 2 and 3, above, certain of these schedules contain the following minor or "housekeeping" modifications to the Company's current schedules, which are described on the cover sheet for the Appendix to this Stipulation. Upon the Commission's approval of this Stipulation, Lincolnville may file schedules in the form appended hereto, which bear the signature of an authorized official of the Company and are annotated with the appropriate "change symbols" in accordance with Chapter 120 of the Commission's Rules. Upon receipt of such schedules, the Director of Technical Analysis shall approve and stamp the schedules for effect on the indicated dates.

B. Stipulation as Integral Document. This Stipulation represents the full agreement between all parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

C. Non-Precedential Effect. Except where it may be expressly noted herein, the Stipulation shall not be considered legal precedent, nor shall it preclude a party from

raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

D. Record. The record on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of this Stipulation, the Chapter 120 Filing, and all documents provided in responses to data requests and information requests of the OPA.

E. Staff Presentation of Stipulation. The Parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. § 9062(4) and related Commission Rules to the extent necessary to permit the Advisory Staff to make any report, proposed findings or recommendations regarding this Stipulation and/or the resolution of this case without providing a copy in writing in advance to the parties with an opportunity to submit a response or exceptions thereto, provided that said recommendations are made at public deliberations or in some other public proceeding.

TIDEWATER TELECOM

By: _____
Its: _____ Date

OFFICE OF THE PUBLIC ADVOCATE

By: _____
Its: _____ Date